

Message Text

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TO AMCONSUL HONG KONG

INFO USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMEMBASSY SEOUL

AMEMBASSY SAIGON

AMEMBASSY SINGAPORE

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NOFORN

E.O. 11652: GDS

TAGS: ENRG, CH, US

SUBJECT: US POLICY RE SALE OF PETROLEUM SERVICES, EQUIP-
MENT AND TECHNOLOGY TO PRC

REF: HONG KONG 10762 NOTAL

1. THE USG HAS DETERMINED THAT US POLICY CONCERNING
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AMERICAN COMPANIES' POSSIBLE COOPERATION WITH THE PRC TO

DEVELOP PETROLEUM IS, IN PART, AS FOLLOWS:

A. TO THE EXTENT THAT US NEUTRALITY WITH REGARD TO DISPUTED SEABED RESOURCES CAN BE PRESERVED, THE US WOULD WELCOME NEGOTIATIONS BETWEEN US OIL COMPANIES AND THE PRC FOR THE DEVELOPMENT OF THE PRC'S PETROLEUM RESOURCES. IN SUCH NEGOTIATIONS US FIRMS WOULD BE BOUND BY US LAWS AND REGULATIONS. IN THIS CONTEXT, THE US WOULD FACILITATE IMPLEMENTATION. WE WOULD BE PREPARED ALSO TO FACILITATE SALE OF OIL INDUSTRY EQUIPMENT AND TECHNOLOGY FOR PRC USE ON THE SAME BASIS.

B. THE USG WILL LICENSE PETROLEUM PRODUCTION EQUIPMENT AND TECHNOLOGY TO THE PRC, INCLUDING EXPLORATION, DRILLING, PRODUCTION, TRANSPORTATION, REFINERY, AND PETROCHEMICAL EQUIPMENT, TO THE EXTENT THAT SUCH EQUIPMENT AND TECHNOLOGY IS REASONABLE AND NECESSARY FOR THE SPECIFIED END-USE.

C. UNTIL THE PRC GIVES A SERIOUS INDICATION OF A DESIRE TO CONCLUDE AN AGREEMENT WITH AN AMERICAN COMPANY FOR SERVICES, EITHER OFFSHORE OR ONSHORE, CURRENT ADVICE TO AMERICAN COMPANIES WISHING TO OPERATE IN THE NORTH ASIAN CONTINENTAL SHELF OR THE SOUTH CHINA SEAS REMAINS UNCHANGED.

2. UNTIL FURTHER NOTICE FROM DEPARTMENT, POSTS THEREFORE SHOULD CONTINUE TO USE CURRENT ADVICE TO AMERICAN COMPANIES, AS FOLLOWS: THE USG HAS CONSISTENTLY ADVISED AMERICAN OIL COMPANIES AGAINST SURVEYING OR DRILLING IN DISPUTED AREAS. IT HAS FOLLOWED THIS POLICY WORLD-WIDE. WE HOLD THAT DISPUTANTS SHOULD SETTLE THEIR DIFFERENCES AMONG THEMSELVES. THE USG DOES NOT, HOWEVER, HAVE LEGAL AUTHORITY TO KEEP COMPANIES OUT OF DISPUTED AREAS, EXCEPT BY (1) PROHIBITIONS ON US-CONTROLLED VESSELS THROUGH TRANSPORTATION ORDER T-2, NOW WITHDRAWN WITH RESPECT TO THE PRC, BUT STILL IN EFFECT WITH RESPECT TO NORTH KOREA AND COMMUNIST-CONTROLLED AREAS OF VIETNAM, AND (2) EXPORT

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CONTROLS WITH REGARD TO CERTAIN TYPES OF EQUIPMENT WHICH STILL APPLY TO ALL COMMUNIST AREAS. WITH RESPECT TO THE

NORTH ASIAN SHELF, THE SINGLE AREA, TO DATE, WHERE AMERICAN COMPANIES HAVE BEEN EXPLORING FOR OIL IN AREAS CLAIMED OR POSSIBLY CLAIMED BY THE PRC OR NORTH KOREA, WE HAVE TOLD THE COMPANIES THAT THERE MAY BE SPECIAL DANGERS. THIS CAUTION HAS BEEN BASED ON THE FACT THAT THE PRC HAS

GIVEN REPEATED WARNINGS AGAINST US "PLUNDER" OF THE SEABED AND SUBSOIL RESOURCES OF CHINA'S ADJACENT SHALLOW WATER AREAS, AND IS REINFORCED BY THE PRC'S PROTEST AGAINST EXPLORATION IN UNDELIMITED AREAS IN THE YELLOW SEA. WE HAVE ADVISED US COMPANIES THAT IF, NOTWITHSTANDING THESE CONSIDERATIONS, THEY PROCEED WITH THEIR EXPLORATION, THEY WILL DO SO AT THEIR OWN RISK AND SHOULD NOT EXPECT PROTECTION FROM THE US GOVERNMENT. WE HAVE FURTHER CAUTIONED THESE FIRMS AGAINST THE USE OF US-CITIZEN CREWMEN, US-FLAG VESSELS AND SPECIFIED SENSITIVE EQUIPMENT OF A STRATEGIC NATURE CONTROLLED UNDER LICENSE BY THE USG (E.G., SOPHISTICATED POSITIONING EQUIPMENT).

3. ANY INDICATION OF PRC INTENT TO CONTRACT WITH AN AMERICAN COMPANY FOR OIL EXPLORATION AND DEVELOPMENT SERVICES (ON LAND OR OFFSHORE) SHOULD BE REPORTED IMMEDIATELY. KISSINGER

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